

JACKSON COUNTY
CONSERVATION DISTRICT

AUDIT REPORT

SEPTEMBER 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name JACKSON CO. CONSERVATION DISTRICT		County JACKSON	
Fiscal Year End 09/30/06		Opinion Date 02/16/07		Date Audit Report Submitted to State 02/23/07			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

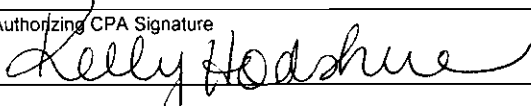
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	NO LETTER REQUIRED	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, P.C.			Telephone Number 517-849-2410	
Street Address 479 E. CHICAGO ROAD			City JONESVILLE	State MI
			Zip 49250	
Authorizing CPA Signature 		Printed Name KELLY S. HODSHIRE		License Number 1101020992

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INDEPENDENT AUDITOR'S REPORT

To the Board
Jackson County Conservation District
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Jackson County Conservation District, Jackson County, Michigan, as of and for the year ended September 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Jackson County Conservation District as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 4 and pages 11 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company, PC

Jonesville, Michigan
February 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jackson County Conservation District

Management's Discussion and Analysis Year Ended September 30, 2006

Introduction

This section of the Jackson County Conservation District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended September 30, 2006. The reader should use this analysis along with the annual report to gain a complete picture of the Jackson County Conservation District for the year ended September 30, 2006. The District received 815 calls relating to conservation service and needs during the year. The staff made 34 on-site visits resulting in advice and 10 management plans covering 449 acres were written, a free service the District offers to landowners. In addition, through a cooperative agreement with NRCS, 24 land determinations were completed. The District held two tree sales, one in the spring and the other in the fall, resulting in 101,281 trees and shrubs being sold to 702 customers. In addition, we sold 830 various conservation products to 183 customers who walked into the office. The value of these products was \$5,139.49.

The District hosts educational programs throughout the year. This year 5,166 youth and 740 producers, garden clubs and associations benefited from the programs. The District published 83 news articles, made 7 TV and/or radio spots and published 15 newsletters.

Other services the District provides are equipment rentals. Four people used equipment to either plant 300 acres with trees or 104 acres with grain.

This year 150 volunteers came out to help us with various projects, whether they were master gardeners or Jackson Audubon volunteers. Their help is greatly appreciated.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2006:

- The assets of the District exceeded its liabilities at the end of the most recent fiscal year by \$70,447 (net assets) at the government-wide level.
- The District's total net assets increased by \$19,737 as a result of current year activity at the government-wide level.
- Total governmental fund balance increased by \$18,099 in the current year at the fund level.

Using this Annual Report

The basic financial statements include information that presents two different views of the District:

- The first column of the financial statements includes information on the District's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the District's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the District's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

Jackson County Conservation District

Management's Discussion and Analysis

Year Ended September 30, 2006

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CONDENSED FINANCIAL INFORMATION

The following tables show, in a condensed format, the net assets as of September 30, 2005 and 2006 and the changes in the net assets during the year.

TABLE 1 - NET ASSETS

	<u>2005</u>	<u>2006</u>
Assets		
Current Assets	\$ 53,614	\$ 66,393
Noncurrent Assets	<u>5,519</u>	<u>7,157</u>
Total Assets	<u>\$ 59,133</u>	<u>\$ 73,550</u>
Liabilities		
Current Liabilities	\$ 8,423	\$ 3,103
Noncurrent Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 8,423</u>	<u>\$ 3,103</u>
Net Assets		
Invested in Capital Assets - Net of Related Debt	\$ 5,519	\$ 7,157
Unrestricted	<u>45,191</u>	<u>63,290</u>
Total Net Assets	<u>\$ 50,710</u>	<u>\$ 70,447</u>
Total Liabilities and Net Assets	<u>\$ 59,133</u>	<u>\$ 73,550</u>

TABLE 2 - CHANGES IN NET ASSETS

Revenue	\$ 112,858	\$ 167,860
Expenses - District Services	<u>(114,707)</u>	<u>(148,123)</u>
Increase (Decrease) in Net Assets	<u>\$ (1,849)</u>	<u>\$ 19,737</u>

The District's total net assets were \$70,447 at September 30, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$63,290 at the end of the fiscal year. The net assets invested in capital assets were \$7,157.

Governmental Activities

The District's governmental revenues totaled \$167,860 with the greatest revenue sources being the Upper Grand River Implementation Grant and reforestation revenue. The grant makes up approximately 27 percent and the reforestation revenue makes up approximately 37 percent of total governmental revenue.

The District incurred expenses of \$148,123 during the year. The majority of governmental expense is associated with the staffing of the District, Upper Grand River Implementation Project expenses, and the reforestation program costs. Wages represent 28 percent of the District's total expenses, Upper Grand River Implementation Project expenses represent 27 percent, and the reforestation program cost represents 20 percent.

The District's Funds

The District's major fund consists solely of the General Fund. An analysis of the General Fund can be found in the first column on pages 5 and 6. The fund column provides detailed information about the most significant

Jackson County Conservation District

Management's Discussion and Analysis Year Ended September 30, 2006

The District's Funds (continued)

fund, not the District as a whole. The District Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities. The District did not have any nonmajor funds for the fiscal year ended September 30, 2006.

The General Fund pays for all of the District's governmental services. The most significant service provided during the fiscal year was District staffing, which incurred expenditures of approximately \$41,224 for the fiscal year.

District Budgetary Highlights

The budget was monitored closely during the year.

Capital Assets

At the end of the fiscal year, the District had \$7,157 invested in a range of capital assets (net of depreciation). The District added \$2,846 in new capital assets during the current year. The District did not dispose of any capital assets during this fiscal year.

Factors bearing on the District's future

The following factors will affect the District in the future and were considered in preparing the District's budget for the 2006-2007 district fiscal year:

- 2006-2007 realized continued funding from the county commissioners and the reduced appropriation from the state in the amount of \$19,200. The District relies on this funding each year, however, unforeseen budget shortfalls to the county and the state, directly affect the District. Since the State's economy has spiraled downward, currently, for the 2006-2007 fiscal year, our state appropriation has been slashed in half and in subsequent years funding from the state is eliminated altogether. Jackson County's revenue sharing along with county fiscal obligations threatens the District's future operations budget. The District does not foresee an increase in this allowance in the near future and is taking a pro-active approach to resolve shortfalls.
- Health insurance and other insurance's carried by the district continues to see increases.
- The state of the overall economy with regards to employment restricts the amount of discretionary cash the public has to spend on our tree sales and this could be a potential problem in the future. We are starting to realize this impact as we see our tree sales in the decline for this current fiscal year. The Jackson County unemployment rate is currently higher than the national unemployment rate (7.5%) and this does not take into consideration the people who have fallen off the unemployment rolls already. The County continues to see the loss of manufacturing jobs and the direct impact this has on all the other businesses here in Jackson County. Until the economy starts to improve and stabilize, the District will continue to struggle without secure funding.

Contacting the District's Management

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administrator of the Jackson County Conservation District.

BASIC FINANCIAL STATEMENTS

JACKSON COUNTY CONSERVATION DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and Cash Equivalents	\$ 39,525	\$ 0	\$ 39,525
Accounts Receivable	25,238	0	25,238
Inventory	1,480	0	1,480
Prepaid Expense	150	0	150
Fixed Assets, net	<u>0</u>	<u>7,157</u>	<u>7,157</u>
Total Assets	<u>\$ 66,393</u>	<u>\$ 7,157</u>	<u>\$ 73,550</u>
LIABILITIES			
Accounts Payable	\$ 867	\$ 0	\$ 867
Payroll Taxes Payable	<u>2,236</u>	<u>0</u>	<u>2,236</u>
Total Liabilities	<u>\$ 3,103</u>	<u>\$ 0</u>	<u>\$ 3,103</u>
FUND BALANCE/NET ASSETS			
Fund Balance			
Unreserved/Undesignated	\$ 63,290	\$ (63,290)	\$ 0
Total Fund Balance	<u>\$ 63,290</u>	<u>\$ (63,290)</u>	<u>\$ 0</u>
Total Liabilities and Fund Balance	<u>\$ 66,393</u>		
Net Assets			
Invested in Capital Assets - Net of Related Debt		\$ 7,157	\$ 7,157
Restricted		0	0
Unrestricted		<u>63,290</u>	<u>63,290</u>
Total Net Assets		<u>\$ 70,447</u>	<u>\$ 70,447</u>
Total Liabilities and Net Assets			<u>\$ 73,550</u>

The accompanying notes are an integral part of this statement.

JACKSON COUNTY CONSERVATION DISTRICT
STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2006

	General Fund	Adjustments	Statement of Activities
REVENUE			
Program Support Revenue	\$ 5,494	\$ 0	\$ 5,494
MDA Operational Grant	19,200	0	19,200
Jackson County Board of Commissioners Grant	20,000	0	20,000
Upper Grand River Implementation Project Grant	45,288	0	45,288
Groundwater Grant	550	0	550
Landowner Incentive	2,248	0	2,248
Reforestation Program	61,053	0	61,053
Interest Earned	619	0	619
Lease of Equipment	509	0	509
Annual Meeting	1,040	0	1,040
Native Plant Sale	2,386	0	2,386
Miscellaneous Income	<u>9,473</u>	<u>0</u>	<u>9,473</u>
Total Revenue	\$ <u>167,860</u>	\$ <u>0</u>	\$ <u>167,860</u>
EXPENDITURES			
Administrative Salaries	\$ 41,224	\$ 0	\$ 41,224
Employee Training	583	0	583
Health Insurance	11,550	0	11,550
Payroll Tax Expense	8,538	0	8,538
Employee Mileage	1,958	0	1,958
Office Supplies	1,291	0	1,291
Bank Charges	182	0	182
Auditor Expense	1,100	0	1,100
Fees, Dues, etc.	1,060	0	1,060
Directors expense	607	0	607
Annual Meeting	1,229	0	1,229
Advertising, Community Promotion, & Printing	2,118	0	2,118
Telephone	1,461	0	1,461
Postage	1,038	0	1,038
MSU Co. Ext Expense	1,000	0	1,000
Miscellaneous Expense	2,355	0	2,355
Employee Mileage - LIP	308	0	308
Upper Grand River Implementation Project Expenses	39,595	0	39,595
Reforestation Program Cost	29,718	0	29,718
Capital Outlay Expense	2,846	(2,846)	0
Depreciation	<u>0</u>	<u>1,208</u>	<u>1,208</u>
Total Expenditures	\$ <u>149,761</u>	\$ <u>(1,638)</u>	\$ <u>148,123</u>
Excess of Revenue Over (Under)			
Expenditures/Change in Net Assets	\$ 18,099	\$ 1,638	\$ 19,737
Fund Balance/Net Assets - October 1	<u>45,191</u>	<u>5,519</u>	<u>50,710</u>
Fund Balance/Net Assets - September 30	\$ <u>63,290</u>	\$ <u>7,157</u>	\$ <u>70,447</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

JACKSON COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Jackson County Conservation District (the "District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Financial Reporting Entity

The Jackson County Conservation District was organized in 1947 for the purpose of "providing local guidance and involvement in the promotion of soil conservation in Jackson County, Michigan." The District is a local unit of state government which operates under the direction of a board of directors. The board oversees the development and implementation of soil and water conservation activity in Jackson County, Michigan. The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. Based on these criteria, there are no component units to be included in these financial statements.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures relating to claims and judgments are recorded only when payment is due.

Financial Statement Presentation

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The District reports the following major governmental fund: the General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

JACKSON COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

Capital Assets - Capital assets are defined by the District as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District maintains a capitalization threshold of \$2,000.

The District's equipment, computer equipment, etc. are depreciated using the straight-line method over the following useful lives:

Equipment	10-25 years
Computer equipment	5 years
Computer software	3 years

Budgets, Budgetary Accounting and Budget Basis of Accounting - Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The District uses the same basis of accounting for budgeting purposes as for financial statement presentation.

Encumbrance Accounting - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Jackson County Conservation District.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the District Board at the line-item level. Any budgetary modifications may only be made by resolution of the District Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to September 30, a public hearing is conducted on the proposed budget to obtain taxpayer comments.
- 2) Prior to September 30, the budget is legally enacted through passage of a resolution.
- 3) The District Board is authorized to transfer budgeted amounts between line items.
- 4) During the year the budget is monitored, and amendments to are made when necessary.

JACKSON COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws. These variances were due to audit adjustments:

<u>Description</u>	<u>Amount of</u> <u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
Administrative Salaries	\$40,110	\$41,224	\$ 1,114
Miscellaneous Expense	2,024	2,355	331
Capital Outlay Expense	2,823	2,846	23

NOTE 3 - CASH AND INVESTMENTS

Following are the components of the District's bank deposits at September 30, 2006:

Checking Accounts	\$ 169
Savings	<u>39,306</u>
Total	<u>\$ 39,475</u>

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2006, the carrying amount of the District's deposits was \$39,475 and the bank balance was \$42,822. The entire amount was covered by federal depository insurance.

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of September 30, 2006, the District's deposits and investments are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2006, was as follows:

	<u>Balance</u> <u>October 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2006</u>
Equipment	\$ 6,400	\$ 0	\$ 0	\$ 6,400
Computer Equipment	2,873	2,846	0	5,719
Computer Software	<u>1,500</u>	<u>0</u>	<u>0</u>	<u>1,500</u>
Total Capital Assets	\$ 10,773	\$ 2,846	\$ 0	\$ 13,619
Less: Accum. Depreciation	<u>(5,254)</u>	<u>(1,208)</u>	<u>0</u>	<u>(6,462)</u>
Net Capital Assets	<u>\$ 5,519</u>	<u>\$ 1,638</u>	<u>\$ 0</u>	<u>\$ 7,157</u>

Depreciation expense for the fiscal year ended September 30, 2006 was \$1,208.

JACKSON COUNTY CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE 5 - UNEMPLOYMENT TAXES

The District is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of September 30, appropriate liabilities (if any) have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The District has purchased commercial insurance for claims relating to general liability, physical damage, workers compensation, and other appropriate coverage's. There has been no significant reduction in insurance coverage and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 7 - CONCENTRATIONS

The District receives a major portion of its revenue from Grants. Reduction or elimination of this funding, if this were to occur, would have a significant effect on the organization's programs and activities.

NOTE 8 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the District's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets and net change in fund balances to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 63,290
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	<u>7,157</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$ 70,447</u>
 Net Change in Fund Balances - Modified Accrual Basis	 \$ 18,099
Amounts reported in the statement of net activities are different because:	
Capital outlay is not an expense of the current period	2,846
Capital costs are allocated over their estimated useful lives as depreciation	<u>(1,208)</u>
Change in Net Assets of General Fund - Full Accrual Basis	 <u>\$ 19,737</u>

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
SEPTEMBER 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Fund Balance - October 1	\$ 45,191	\$ 45,191	\$ 45,191	\$ 0
Resources (Inflows)				
Program Support Revenue	0	4,475	5,494	1,019
MDA Operational Grant	19,000	19,200	19,200	0
Commissioners Grant	20,000	20,000	20,000	0
Upper Grand River Imp. Grant	0	95,128	45,288	(49,840)
Groundwater Grant	550	550	550	0
Landowner Incentive	3,000	3,000	2,248	(752)
Reforestation Program	60,000	60,725	61,053	328
Interest Earned	350	350	619	269
Lease of Equipment	920	920	509	(411)
Annual Meeting	800	1,040	1,040	0
Native Plant Sale	2,000	2,386	2,386	0
Miscellaneous Income	<u>11,322</u>	<u>10,169</u>	<u>9,473</u>	<u>(696)</u>
Total Revenue	<u>\$ 117,942</u>	<u>\$ 217,943</u>	<u>\$ 167,860</u>	<u>\$ (50,083)</u>
Amounts Available for Appropriation	<u>\$ 163,133</u>	<u>\$ 263,134</u>	<u>\$ 213,051</u>	<u>\$ (50,083)</u>
Charges to Appropriations (Outflows)				
Administrative Salaries	\$ 43,350	\$ 40,110	\$ 41,224	\$ 1,114
Employee Training	700	643	583	(60)
Health Insurance	10,629	11,550	11,550	0
Payroll Tax Expense	6,703	8,539	8,538	(1)
Employee Mileage	1,680	1,958	1,958	0
Office Supplies	600	1,291	1,291	0
Bank Charges	36	183	182	(1)
Auditor Expense	1,950	1,142	1,100	(42)
Fees, Dues, etc.	1,060	1,060	1,060	0
Directors expense	2,100	607	607	0
Annual Meeting	1,400	1,230	1,229	(1)
Advertising	1,090	2,363	2,118	(245)
Telephone	1,300	1,662	1,461	(201)
Postage	800	1,045	1,038	(7)
MSU Co. Ext Expense	1,200	1,000	1,000	0
Miscellaneous Expense	9,005	2,024	2,355	331
Employee Mileage - LIP	0	308	308	0
Upper Grand River Imp, Project Exp	0	50,684	39,595	(11,089)
Reforestation Program Cost	37,489	35,994	29,718	(6,276)
Capital Outlay Expense	<u>0</u>	<u>2,823</u>	<u>2,846</u>	<u>23</u>
Total Charges to Appropriations	<u>\$ 121,092</u>	<u>\$ 166,216</u>	<u>\$ 149,761</u>	<u>\$ (16,455)</u>
Fund Balance - September 30	<u>\$ 42,041</u>	<u>\$ 96,918</u>	<u>\$ 63,290</u>	<u>\$ 33,628</u>

The accompanying notes are an integral part of this statement.
JACKSON COUNTY CONSERVATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
SEPTEMBER 30, 2006

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2006, the District incurred expenditures in certain budgetary funds that were in excess of the amount appropriated. The variances occurred due to audit adjustments.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Administrative Salaries	\$40,110	\$41,224	\$ 1,114
Miscellaneous Expense	2,024	2,355	331
Capital Outlay Expense	2,823	2,846	23